

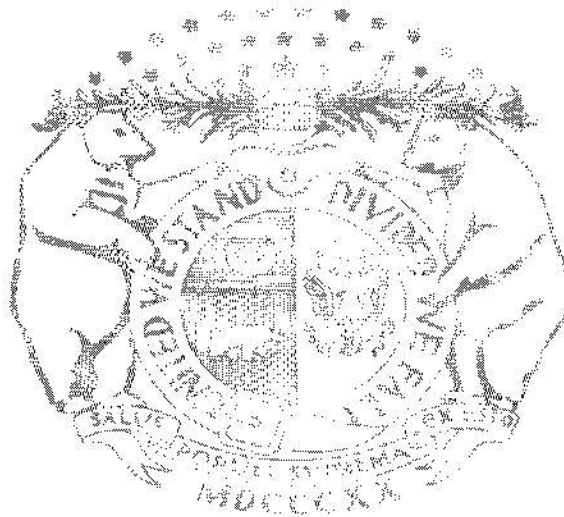
REPORT OF  
FINANCIAL EXAMINATION

CIGNA Dental Health of Missouri, Inc.

As of:

DECEMBER 31, 2007

**FILED**  
JUN 11 2009  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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April 17, 2009  
St. Louis, MO

Honorable Alfred W. Gross, Commissioner  
Bureau of Insurance  
Virginia State Corporate Commission  
Chairman, Financial Condition (F) Committee, NAIC

Honorable Merle D. Scheiber, Director  
Division of Insurance  
State of South Dakota  
Secretary, Midwestern Zone, NAIC

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Dear Sirs:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

**CIGNA Dental Health of Missouri, Inc.**

hereinafter referred to as such or as the "Company". The Company's office is located at 1571 Sawgrass Corporate Parkway, Suite 140; Sunrise, Florida 33323; telephone number (954) 514-6600. Examination fieldwork began on January 26, 2009 and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The last comprehensive financial examination of the Company was performed as of December 31, 2004, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2005 through December 31, 2007, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2007.

### Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, PricewaterhouseCoopers LLP, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

### Prior Examination Comments

There were no comments from the previous examination.

## **HISTORY**

### General

CIGNA Dental Health of Missouri, Inc. was incorporated on April 4, 2000, and began operations on January 1, 2002 under Chapter 354 RSMo (Health Services Corporations-Health Maintenance Corporations-Prepaid Dental Plans). The Company is a prepaid dental plan that provides dental memberships to groups in Missouri.

### Capital Stock

The Company is authorized to issue 2,000 shares of \$50 par value common stock. As of December 31, 2007, 1,000 shares were issued and outstanding to CIGNA Dental Health, Inc., for a common capital stock balance of \$50,000.

### Dividends

The Company has declared and paid dividends to the stockholder as follows:

Prior to 2004	\$0
2004	1,500,000
2005	1,000,000
2006	500,000
2007	500,000
<b>Total</b>	<b><u>\$3,500,000</u></b>

### Management

The board of directors consists of three members duly elected at an annual meeting of the stockholder as authorized by the Company's articles of incorporation. The directors serving as of December 31, 2007, were:

<u>Name</u>	<u>Primary Occupation</u>
Karen Sue Rohan Ware, MA	President CIGNA Dental Health of Missouri, Inc.
Michele Iris Haas Cooper City, FL	Secretary CIGNA Dental Health of Missouri, Inc.
Lianne Jane Nicholson North Granby, CT	Treasurer CIGNA Dental Health of Missouri, Inc.

The officers elected and serving as of December 31, 2007, were:

<u>Name</u>	<u>Office</u>
Karen Sue Rohan	President
Michele Iris Haas	Secretary
Lianne Jane Nicholson	Treasurer
David Anthony Tobin	Actuary

### Conflict of Interest

Conflict of interest certifications were made by the staff of the Company. These are documented online through the affirmation statement required to be completed annually by all employees of the CIGNA companies.

### Corporate Records

A review was made of the articles of incorporation and bylaws of the Company. The articles of incorporation were amended in 2006 to set the number of board members at three.

The minutes of the meetings of the stockholder and board of directors were reviewed for the period under examination. Those minutes provided sufficient documentation of major corporate transactions.

### Acquisitions, Mergers, and Major Corporate Events

There were no acquisitions, mergers or major corporate events during the examination period.

### Surplus Debentures

None.

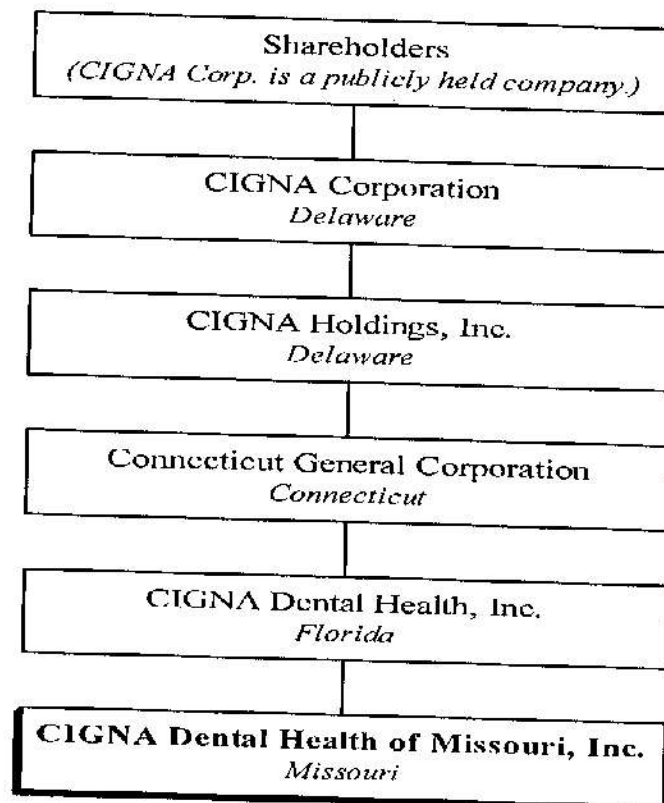
## **AFFILIATED COMPANIES**

### Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined in Section 382.010 RSMo, (Definitions). Annual registration statements were filed as required by Section 382.100 RSMo, (Registration). The Company is a wholly owned subsidiary of CIGNA Dental Health, Inc., which is a wholly owned subsidiary of Connecticut General Corporation. Connecticut General Corporation is a wholly owned subsidiary of CIGNA Holdings, Inc. CIGNA Corporation, which owns CIGNA Holdings, Inc., is the ultimate controlling entity within the holding company system.

### Organizational Chart

This chart shows the ownership structure of the Company as of December 31, 2007.



### Intercompany Transactions

The Company has two agreements with related entities.

#### *Administrative Services Agreement*

Parties: CIGNA Dental Health of Missouri, Inc. and CIGNA Dental Health, Inc.

Effective: January 1, 2002

Terms: CIGNA Dental Health, Inc. agrees to provide CIGNA Dental Health of Missouri, Inc. with administrative and management services and services critical to the delivery of dental care. In consideration for these services provided, CIGNA Dental Health of Missouri, Inc. agrees to pay CIGNA Dental Health, Inc. a monthly fee based on the number of subscribers and dependents.

#### *Amended and Restated Consolidated Federal Income Tax Agreement*

Parties: CIGNA Corporation and CIGNA Dental Health of Missouri, Inc. and various other subsidiaries

Effective: CIGNA Dental Health of Missouri, Inc. became a party to the agreement October 1, 2001

Terms: This agreement provides that a consolidated return will be filed by CIGNA Corporation for each taxable year. The tax liability or refund due from or to each member will be computed as if each member filed a separate stand-alone federal return. Payments required pursuant to this agreement shall be made quarterly with the final settlement for each year due on November 15<sup>th</sup> of the year following the tax year.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company is the named insured on a Crime/Fidelity policy with a limit of \$2,000,000 and a \$100,000 deductible. This is in excess of the suggested minimum amount of coverage recommended by NAIC guidelines.

The Company also receives protection through additional policies providing coverages that include professional liability, insurance company errors and omissions, managed care errors and omissions, vicarious liability, medical professional liability, healthcare government liability and healthcare errors and omissions.

## EMPLOYEE BENEFITS AND PENSION PLAN

CIGNA Dental Health of Missouri, Inc. has no direct employees. Services are provided by its parent, CIGNA Dental Health, Inc. under an Administrative Services Agreement. The services are provided to the Company on a fee-basis rather than a percentage-of-cost or reimbursement basis. The Company has no liability for employee benefits.

## STATUTORY DEPOSITS

### Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2007, as reflected below, were deemed sufficient in par and market value to meet the deposit requirements for the state of Missouri in accordance with Section 354.707 RSMo (Capital and surplus requirements; deposit required).

<u>Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
US Treasury Note	\$55,000	\$54,470	\$55,288

### Deposits with Other States

None.

## INSURANCE PRODUCTS AND RELATED PRACTICES

### Territory and Plan of Operations

The Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 354 RSMo (Health Services Corporation-Health Maintenance Organizations-Prepaid Dental Plans) to offer coverage on a prepaid basis. Dental services are listed in a schedule of benefits. A network of dentists and specialists is maintained with payments made on a capitation basis. The Company ensures an effective network through its credentialing process and through quality management reviews.

### Marketing

The Company markets to medium and large employer groups in Missouri through licensed and appointed agents from the internal group sales offices of Connecticut General Life Insurance Company and other CIGNA HealthCare companies. The advertising efforts are primarily through direct distribution of informational materials to prospective members.



### Grievance Procedures

The Company has established procedures to manage grievances and complaints filed by its members, as required by Section 354.715 RSMo (Service contracts: complaint procedures). This policy is communicated annually to all members.

### **REINSURANCE**

The Company does not assume or cede any reinsurance.

### **ACCOUNTS AND RECORDS**

#### Independent Auditor

The Company's financial statements were audited by the firm of PricewaterhouseCoopers LLP, for the period covered by this examination.

#### Company Actuary

The Company's actuarial opinions, for the period under examination, were prepared by its chief actuary, David A. Tobin, FSA, MAAA.

### **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2007, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

**BALANCE SHEET**  
As of December 31, 2007

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$54,470	\$0	\$54,470
Cash	869,830	0	869,830
Investment income due and accrued	551	0	551
Uncollected premiums	609,917	43,541	566,376
Net deferred tax asset	17,553	0	17,553
Receivables from parent and affiliates	24,410	0	24,410
Aggregate write-ins	27,766	0	27,766
<b>Totals</b>	<b>\$1,604,497</b>	<b>\$43,541</b>	<b><u>\$1,560,956</u></b>

	<b>Covered</b>	<b>Uncovered</b>	<b>Total</b>
Claims unpaid	\$302,818	\$10,862	\$313,680
Unpaid claims adjustment expenses	7,685	0	7,685
Premiums received in advance	2,196	0	2,196
General expenses due or accrued	9,268	0	9,268
Current federal income tax payable	49,137	0	49,137
<b>Total liabilities</b>	<b>\$371,104</b>	<b>\$10,862</b>	<b>\$381,966</b>

Common capital stock	\$50,000
Gross paid in and contributed surplus	52,000
Aggregate write-ins	150,000
Unassigned funds (surplus)	<u>926,990</u>
<b>Total capital and surplus</b>	<b><u>1,178,990</u></b>
<b>Total liabilities, capital and surplus</b>	<b><u>\$1,560,956</u></b>

**INCOME STATEMENT**  
For the year ended December 31, 2007

Net premium income		\$7,104,169
Other professional services	\$5,213,619	
Outside referrals	111,285	
Total hospital and medical	<u>5,324,904</u>	
Claims adjustment expenses	7,764	
General administrative expenses	833,930	
Total adjustment and administrative expenses	<u>841,694</u>	
Total underwriting deductions		6,166,598
Net underwriting gain or (loss)		<u>937,571</u>
Net investment income earned	51,800	
Net realized capital gains or (losses) less capital gains tax of	<u>28</u>	
Net investment gains or (losses)		<u>51,828</u>
Net income or (loss), after capital gains tax and before all		989,399
Less: Federal and foreign income taxes incurred		<u>345,380</u>
Net income (loss)		<u>\$644,019</u>

**CAPITAL AND SURPLUS**  
Changes for 2007

Capital and surplus December 31, 2006		\$980,715
Net income or (loss) from Line 32	\$644,019	
Change in net deferred income tax	(30,596)	
Change in nonadmitted assets	84,852	
Dividends to stockholders	<u>(\$500,000)</u>	
Net change in capital and surplus		<u>\$198,275</u>
Capital and surplus December 31, 2007		<u>\$1,178,990</u>

### **NOTES TO THE FINANCIAL STATEMENTS**

There are no notes to the financial statements.

### **EXAMINATION CHANGES**

There are no changes to the financial statements made as a result of this examination.

### **GENERAL COMMENTS AND RECOMMENDATIONS**

None.

### **SUBSEQUENT EVENTS**

None.


## ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of CIGNA Dental Health of Missouri, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, John Boczkiewicz, CFE, CPA and Doug Daniels, AFE, CPA, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

## VERIFICATION

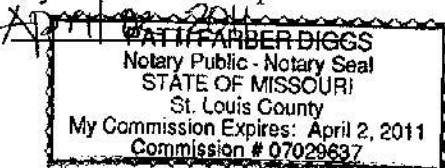
State of Missouri )  
 ) ss  
County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

  
Robert P. Jordan, CPE  
Examiner-in-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 27th day of March  
My commission expires: Dec 27 2016


My commission expires: \_\_\_\_\_



Patti Barber Dwyer  
Notary Public

## SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

  
Michael Shadowens, CFE  
Audit Manager, St. Louis  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration